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SUBJECT: KING CONSERVATION DISTRICT AND KING COUNTY FLOOD CONTROL DISTRICT UPDATE

STAFF CONTACT: Nav Ota, Utilities Director, 452-2041; Joyce Nichols, CMO, 452-4225; Alison Bennett, Utilities Policy Advisor, 452-2808

POLICY ISSUE: The King County Council recently took action approving 2013 funding for the WRIAs and a new flood tax levy rate, as well as King Conservation District rates for 2013-2014.

NEEDED FROM COUNCIL: This is an informational briefing; no action is required at this time.

BACKGROUND:

Summary

The King County Council recently took the following two actions: (1) acting in its capacity as the Flood District Board of Supervisors, the County Council approved the Flood District's budget and funded the watershed forums through an increase in the Flood District's levy rate for a new rate of 13.5 cents/\$1,000 of assessed value (AV) compared with 11.6 cents/\$1,000 AV in 2012; and (2) the County Council approved a two year assessment for the King Conservation District (KCD) that will result in a residential per parcel rate of \$5.16 per year and established a task force (with representatives from suburban cities, Seattle, Bellevue, King County, KCD and others) to address the future of KCD and its programs.

Background

In July, staff provided Council with a written briefing regarding the Flood District, the KCD and funding for the watershed forums (WRIAs). That briefing contained the background and history of the KCD and is attached for your reference (Attachment A). As you will recall, 2012 funding for the WRIAs was provided by the Flood District due to the legal challenges facing the KCD.

In August, the KCD submitted a 2013-2015 budget and rates proposal for approval by the County Council that kept its funding level the same as 2012 (\$10 per parcel), but eliminated the future funding for the WRIAs (about \$5/parcel). In October, the King County Executive transmitted an ordinance that transitioned the WRIA funding permanently to the Flood District with a commensurate reduction in revenue to the KCD of approximately \$5 per parcel. At that time, the Bellevue City Council sent a letter to the Flood District Board of Supervisors (the County Council) outlining the City's position on the future of WRIA funding and the City's strong commitment to a proposal that would be revenue neutral for property owners (Attachment B). Councilmember Davidson also testified before the County Council on behalf of the City.

Both the KCD and the City of Seattle advocated for an increase to the KCD rate in order to expand the programs provided by the agency. Input from Bellevue and other suburban cities was instrumental in the County Council's final decision to hold KCD as close to the \$5 per parcel as it could while allowing it to continue to fund its core programs and complete the administration of the WRIA grants in progress from earlier years. The KCD will also continue to fund individual jurisdiction grants from its rates and charges. Feedback from cities also resulted in the establishment of a task force to address the future of KCD, and Bellevue will have a seat on that task force.

Impacts to Bellevue

Flood District

In 2012, the Flood District's levy rate was 11.6 cents per \$1,000 of assessed value. At that rate, Bellevue property owners contributed about \$3.7 million per year to the District. At the new rate of 13.5 cents, Bellevue property owners will contribute about \$4.3 million. The owner of a \$500,000 home will pay \$67.50 per year, about \$9.50 more than in 2012. The total revenue raised by the District with the new levy rate is about \$41 million. That rate does include continued funding for the Subregional Opportunity Fund (10% of the levy is provided directly back to cities for projects; Bellevue receives about \$400,000 per year to use for its own local flooding projects).

In addition, Bellevue's project on the Flood District's CIP list will not be impacted. This project is the first phase of lower Coal Creek flood reduction and involves the construction of five new culverts in Newport Shores at a total cost of \$8.6 million. The Flood District's operating budget for 2013 also includes approximately \$500,000 for the Sammamish Slough Transition Zone sediment management project. The WRIAs will continue to be funded at levels similar to prior years, with WRIA 8 receiving about \$1.2 million per year.

KCD

The KCD assessment was \$10 per parcel in previous years, with about \$5 of that funding the WRIAs. The King County Council reduced the KCD's rate for 2013 and 2014 to \$5.16 for residential parcels. In past years, Bellevue property owners contributed approximately \$400,000 per year, so it is expected that KCD will collect about half of that. Bellevue will still receive direct grants from the KCD in the amount of about \$75,000 per year. These grants have funded various conservation projects such as Stream Team, riparian restoration work and pollution source control efforts.

ALTERNATIVES:

N/A

RECOMMENDATIONS:

N/A

ATTACHMENTS:

- (A) July 23, 2012 Council Briefing on King Conservation District and King County Flood Control District Update Regarding Funding for WRIAs
- (B) October 29, 2012 Bellevue Comment Letter on the King County FCD Budget and the KCD Budget and Rate Proposal

Item No. 3(c)(1)(ii)
July 23, 2012

- ☐ Action
☒ Discussion
☒ Information

SUBJECT: KING CONSERVATION DISTRICT AND KING COUNTY FLOOD CONTROL DISTRICT UPDATE REGARDING FUNDING FOR WATERSHED FORUMS (WRIAS)

STAFF CONTACT: Nav Ota, Utilities Director, 452-2041; Joyce Nichols, CMO, 452-4225; Alison Bennett, Utilities Policy Advisor, 452-2808

POLICY ISSUE: The King County Flood Control District (FCD) is funding the watershed forums in 2012 due to the legal challenges facing the King Conservation District (KCD). Over the coming months, the region will be discussing the scope and size of a future KCD assessment, or rate, as well as whether the FCD should fund the watershed forums on a permanent basis.

NEEDED FROM COUNCIL No formal action is required at this time. Staff is seeking feedback regarding proposed principles to guide staff engagement in regional discussions. It is anticipated that Council may wish to provide more formal input to the County Council in the fall once more information becomes available.

BACKGROUND:

The King County Council will be taking two actions this fall that will impact how the watershed forums will be funded in 2013 and beyond: (1) action on a rates and charges proposal from the KCD and (2) adoption of a budget and scope for the FCD. This briefing provides background on the issues and presents guiding principles to guide staff engagement with the region for Council consideration.

KCD Background

King Conservation District (KCD) is a natural resources agency authorized by Washington State. Its mission is to promote the sustainable use of natural resources through responsible stewardship, originally in rural areas, but now expanded to include natural resources projects in cities as well as support for the watershed forums. Some examples of the types of programs supported by the KCD include farm management planning, landowner assistance with best management practices, fish and wildlife habitat enhancement projects, and support for farmers markets and other agricultural education workshops and materials.

The KCD has had a “special assessment” to support its activities since 1994. The current assessment began in 2010 and is scheduled to expire on December 31, 2012. Under state law, conservation district special assessments are limited to 10 years in duration and are capped at \$10 per parcel in King County. Also, state law requires the KCD to submit its proposed system of assessments to the King County Council for approval prior to implementation of a new assessment. KCD is required to submit its proposal by August 1, but the County Council typically deliberates on the assessment in the fall and acts by the end of the year.

The \$10 per parcel assessment is collected as part of the property tax in King County and is assessed on all existing parcels and any new parcels created. The assessment applies in unincorporated King County and in all cities that are members of the KCD, including Bellevue. King County cities that are not members of KCD are: Enumclaw, Federal Way, Milton, Pacific and Skykomish.

Under the current assessment, \$5 funds the watershed forums (WRIAs); \$3 supports KCD programs; and, \$2 funds local jurisdictions’ conservation programs. Approximately \$6 million is collected each year by the assessment; Bellevue property owners contribute approximately \$400,000.

Each year, Bellevue receives funding from the special assessment. The amount is typically around \$75,000 per year, and these funds have been used to support various conservation activities in the City; examples include Stream Team, storm drain marking, riparian restoration work, pollution source control education efforts, and the recent work on outlet channel maintenance for Phantom Lake.

KCD funding for the watershed forums (WRIAs 8 and 9 and part of WRIA 7 in Snoqualmie) has been extremely important to implement salmon recovery habitat projects and to leverage other funds. The watershed forums collectively receive about \$3 million a year from the KCD; of that amount, WRIA 8 receives about \$1.2 million per year. Bellevue (along with 26 other municipalities) is a member of WRIA 8, established by interlocal agreement in 2001 in order to use a cooperative regional approach to develop a plan and implement projects to protect and restore habitat for Chinook salmon, a listed species under the federal Endangered Species Act. In addition to KCD funding, the WRIAs have received other regional, state and federal funding, although the amounts have been declining in recent years. Due to the uncertainty of funding sources, several WRIAs have had discussions regarding the idea of a permanent, stable tax or fee to fund habitat protection and improvement projects. These discussions are very preliminary and ongoing.

Mason County Lawsuit and Implications for KCD

A lawsuit was filed in Mason County that challenged the validity of the special assessment imposed by the Mason Conservation District - a District formed under the same statutory authority and with the same type of per parcel assessment as the KCD. The Supreme Court of Washington ruled that the Mason Conservation District’s assessment was inconsistent with the statute and therefore invalid.

Based on that ruling, the KCD notified its funding partners that the King County ordinance that provides its special assessment appears to be invalid. At the same time, a bill was passed this session (HB 2567) that provides an alternative system of rates and charges in lieu of a special assessment, with the same \$10 per parcel cap as currently exists in statute. It provides an alternative option, but cannot be implemented until 2013 due to the required statutory process;

KCD staff is currently working to develop this alternative system of rates and charges that could be approved and implemented for 2013. In the meantime, KCD has taken steps to cut its staff and budget due to the legal uncertainty surrounding the 2012 assessment, which is being collected but not spent at this time.

King County Flood Control District Action

Due to KCD's challenges, the watershed forums were faced with losing a significant source of funding for 2012. On May 14, the King County Flood Control District (FCD) Board of Supervisors voted to provide funding to the watershed forums for 2012 only. As you will recall, the FCD operates using funds raised from a tax levy per \$1,000 of assessed value, for a total yearly collection of about \$36.5 million. The amount of the levy fluctuates based on assessed value. The rate was 10 cents when the FCD was formed; it is currently 11.6 cents. Bellevue taxpayers contribute about \$3 million per year. The Board's action uses FCD reserves to provide the watershed forum funding for 2012 and does not negatively impact the FCD subregional opportunity funds (1 cent of the levy is provided directly back to cities for projects; Bellevue receives about \$350,000 per year). Also, it appears that Bellevue's project on the FCD's CIP list will not be impacted. This project is the first phase of lower Coal Creek flood reduction and involves the construction of 5 new culverts in Newport Shores at a total cost of \$8.6 million. Although state law allows the FCD to fund habitat protection activities, it is not the core mission of the FCD, which is to permanently resolve long-standing flooding problems in the County.

King County Action this Fall

The King County Council will take two actions by the end of the year that will impact how the watershed forums are funded in 2013 and beyond. First, the King County Council must act on a rates and charges proposal from the KCD. Second, acting in its capacity as the FCD Board of Supervisors, the Council must adopt a budget and scope for the FCD. It is unclear at this time whether the Council will act to move the funding of the WRIAs to the FCD permanently or not. Bellevue staff will continue to work with County staff and other cities to discuss the issues raised by the current County actions, analyze forthcoming funding and budget proposals and return to Council with additional information in the fall. Council may wish to provide specific feedback to staff and the King County Council at that time.

In the meantime, staff has developed the following principles to guide its discussions with the County and other cities on these topics.

Overall Guiding Principles:

- "Bellevue supports Chinook salmon recovery efforts, with the objective of maintaining this region's quality of life including preserving and protecting a healthy environment and economy." (Council adopted ESA Recovery Planning Principles/Interests dated May 11, 1998 and amended September 7, 1999).
- Bellevue supports continued utilization of a regional mechanism to provide funding for watershed forums and local jurisdiction conservation efforts, provided that:
 - Funding remains at the same level of funding currently provided by KCD;
 - The governance structure and decision making process provide the same opportunity for Bellevue representation as currently exists;
 - The total financial burden to the average Bellevue resident remains the same as it is currently or is reduced;

- There are sufficient controls to ensure that funds cannot be diverted in the future for other purposes; and
- If regional funding is collected based on assessed value, local jurisdiction shares of that funding should be distributed based on assessed value.

Additional Principles to Guide Discussions Regarding FCD Funding of Watershed Forums:

- No more than 10% of the overall FCD property tax levy should be allocated to watershed forum support.
- The governance structure and decision making process currently used by WRIA 8 should remain unchanged.
- The funding allocation split among WRIAs in King County should remain the same.
- The burden to the average taxpayer should remain the same or be reduced; if the FCD funds the watersheds, the KCD assessment or rates/charges should be reduced by the same or greater amount.

Additional Principles to Guide Discussions Regarding KCD Programs and Assessment/Rates:

- The total collections from a KCD assessment or rates/charges should either remain the same as it has been or be reduced by the amount of WRIA funding provided through another mechanism, such as FCD in 2012 (\$5 per parcel or about \$3 million, or less).
- The total financial burden to an average Bellevue resident should be no more than \$10 per parcel if the KCD continues to fund watershed forums and jurisdictional conservation programs or less if watersheds are funded by a different mechanism or jurisdictional project funding is reduced.
- KCD should not enlarge its scope of programs or activities offered unless it reduces existing programs in a commensurate manner.
- KCD programs should not duplicate programs that are provided by other agencies or organizations.

Staff is seeking feedback regarding these proposed principles to guide staff engagement in regional discussions. Staff will return to Council in the fall with an update and additional information. Council may wish to provide specific direction and formal input to the County Council at that time.

ALTERNATIVES: N/A

RECOMMENDATIONS: N/A

ATTACHMENTS: N/A



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Sent Via Electronic Mail To: Julia.Patterson@Kingcounty.gov

October 29, 2012

The Honorable Julia Patterson, Chair
King County Flood Control District Board of Supervisors
King County Courthouse
516 3rd Avenue, Room 1200
Seattle, WA 98104

Dear Chair Patterson:

On behalf of the Bellevue City Council I want to share our concerns regarding the 2013 budget and rate proposals from the King Conservation District (KCD) and the King County Flood Control District (Flood District) and ask you to delay a vote on both proposals until November 5 or later. These issues have not been fully vetted and delaying the vote by one week would provide more time for affected parties to understand the impacts of the proposals.

Bellevue has been a strong supporter of Chinook salmon recovery efforts and continued utilization of a regional mechanism to provide funding for WRIAs and local jurisdiction conservation efforts. The region has successfully funded the WRIAs through \$5 of the KCD's \$10 assessment, providing critical matching funds for many WRIA projects. This arrangement and the current allocation of funding among the WRIAs in King County have worked well for the region and for the WRIAs.

The Flood District funded the WRIAs in 2012 due to the legal uncertainty of the KCD assessment. The KCD has since resolved its legal issues and developed a new system of rates and charges. However, we understand that the Executive is proposing that WRIA funding transition permanently to the Flood District. He has transmitted a KCD ordinance of rates and charges that reflects a commensurate reduction in revenue to the KCD to accomplish this with the goal of revenue neutrality.

Our concerns include the following:

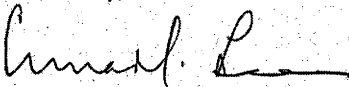
- The total financial cost to property owners to fund the WRIAs should remain approximately \$5 per parcel. While the proposal is being presented as "revenue neutral overall," this does not appear to be the case for many Bellevue property owners. If the Flood District raises its property tax levy rate to fund the WRIAs, Bellevue property owners as a whole will pay more per year than they do today under the KCD assessment.
- In the interest of transparency, we urge the Flood District Board of Supervisors/King County Council to vote on the budget and rates for both the Flood District and KCD on the same day. In order to allow for more feedback on the proposals, we ask that the County wait until November 5, or later, to take those votes.

- Bellevue supports the current WRIA allocation formula to distribute funding and the WRIA decision-making processes and urges continuation of both. We urge the Flood District to include specific language in its legislative action to protect the current formula and process.
- Bellevue supports the current jurisdictional grant program that provides a direct funding allocation to each member jurisdiction. Bellevue opposes a competitive grant program where cities would have to compete with each other, King County, private entities and non-profits for funding to implement important local conservation projects.
- We do not believe the Flood District is the best place to fund Chinook salmon recovery efforts. The Flood District was established to address long-standing flooding problems and to protect public health, safety and economic activity in the County. The Flood District should focus on implementing its current work program and maintaining its emphasis on resolving these flooding problems. We are concerned that expanding the scope of the Flood District will redirect funding away from important flood projects and compromise its ability to achieve its core mission.
- The KCD should reimburse the Flood District for the 2012 WRIA funding instead of the Flood District raising its property tax levy rate to restore its fund balance for this \$3 million expenditure. The reimbursement could be phased over time to minimize impacts to the KCD programs and to property owners in King County.

In closing, we urge the County to delay this vote for at least a week and to carefully consider the proposed changes to the Flood District that could dilute its core mission, redirect funding away from flood projects, and increase tax burdens for some property owners.

Thank you for taking the time to consider our concerns. If you have any questions, please feel free to contact me or Joyce Nichols, Interim Intergovernmental Relations Director, at 425-452-4225.

Sincerely,



Conrad Lee
Mayor

cc: King County Flood Control District Board of Supervisors
Bellevue City Council
Steve Sarkozy
Joyce Nichols